

Message Text

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ORIGIN EB-07

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----- 070187

R 052040Z APR 76

FM SECSTATE WASHDC

TO AMEMBASSY CARACAS

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E.O. 11652: N/A

TAGS: EAIR, VE

SUBJECT: CIVAIR - USG/GOV NEGOTIATIONS

REF : STATE 78683

1. SUBJECT ROUND OF TALKS ENDED APRIL 2 WITH SIGNING OF MEMORANDUM OF CONSULTATION, COPY OF WHICH IS BEING POUCHED TO EMBASSY. DISCUSSIONS DEVELOPED FRIENDLY, COOPERATIVE ATMOSPHERE AND WILLINGNESS TO ADDRESS BILATERAL ISSUES ON PRAGMATIC BASIS. GENERAL SUAREZ, AMB TIRADO, AND VIASA REPS EFFECTIVELY REPRESENTED VENEZUELAN VIEWS.

2. THROUGHOUT TALKS VENDEL EMPHASIZED THAT THEIR MAJOR GOAL DURING DISCUSSIONS WAS TO OBTAIN A U.S. COMMITMENT TO LIMIT PAN AM CAPACITY, AND TO EVENTUALLY REDUCE U.S. ROUTE RIGHTS, SOUTH OF CARACAS. THIS WAS NECESSARY, THEY SAID, IN ORDER TO EXPAND VIASA'S SERVICES IN SOUTH AMERICA. VENDEL CLAIMED THAT PAN AM'S OPERATIONS BEYOND CARACAS ARE FIFTH FREEDOM AND THAT U.S. AIRLINE EARNED LIMITED OFFICIAL USE

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16 MILLION DOLS IN REVENUES ON THIS SERVICE. COMPARABLE

VIASA FIGURES, WERE APPROXIMATELY 234,000 DOLS. AIRLINE SERVICE BETWEEN ANY TWO COUNTRIES SHOULD BE PRIMARILY THIRD AND FOURTH FREEDOM OPERATIONS IN SOUTH AMERICA. IT IS NECESSARY TO RESTRICT PREDOMINANCE OF PAN AM ON THIS

MARKET, SAID THE VENEZUELAN. IN ADDITION, CONCENTRATION OF VIASA ON SOUTH AMERICAN MARKET WAS ALSO CONSISTENT WITH OVERALL VENEZUELAN POLITICAL, ECONOMIC, AND SOCIAL OBJECTIVES.

3. IN RETURN FOR PAN AM CUTBACKS, VENDEL EXPRESSED READINESS TO GIVE UP VENEZUELAN ROUTE RIGHTS BEYOND SAN JUAN ON ROUTE 4. VENDEL INDICATED THAT QUESTION OF LIMITING PAN AM'S SERVICES BEYOND CARACAS WAS TOUCHED UPON DURING PREVIOUS CONSULTATIONS (1971-72) BUT THAT BOTH SIDES HAD AGREED TO DEFER ISSUE UNTIL VIASA WERE READY TO FLY TO POINTS SOUTH OF CARACAS. "WELL, NOW THEY ARE READY", SAID GEN SUAREZ.

4. USDEL RESPONSE TO THIS CENTRAL ISSUE WAS THAT U.S. ROUTE RIGHTS SOUTH OF CARACAS ARE NOT SUBJECT TO REVISION. CAPACITY LEVELS, HOWEVER, COULD BE DISCUSSED. USDEL ALSO POINTED OUT THE DIFFICULTIES OF SEPARATING THIRD AND FOURTH FREEDOM TRAFFIC FROM FIFTH FREEDOM TRAFFIC. FOR EXAMPLE, SIGNIFICANT NUMBERS OF U.S. ORIGIN PASSENGERS STOPPING-OVER IN CARACAS WOULD HAVE FINAL DESTINATIONS IN OTHER SOUTH AMERICAN COUNTRIES. ALTHOUGH THEY WOULD BE INCLUDED AS FIFTH FREEDOM TRAFFIC BEYOND CARACAS, IN FACT SUCH PERSONS WOULD BE THIRD FREEDOM TRAVELERS BETWEEN U.S. AND THE COUNTRIES OF THEIR ULTIMATE DESTINATION. IN ADDITION, BY VIRTUE OF ITS LOCATION, VENEZUELAN AIRLINES HAVE OPPORTUNITY TO CARRY APPROXIMATELY 3/4 MILLION PASSENGERS ANNUALLY WHO TRAVEL FROM POINTS SOUTH OF CARACAS, THROUGH THAT CITY, TO THE UNITED STATES, BUT WHO WOULD BYPASS CARACAS IF NO ROUTE RIGHTS TO U.S. WERE AVAILABLE TO VENEZUELA. AFTER EXTENSIVE DISCUSSION OF THIS ISSUE AND A REVIEW OF RELEVANT STATISTICS, TWO DELEGATIONS AGREED APRIL 1 TO ESTABLISH GOVERNMENT LEVEL TECHNICAL COMMITTEES WHICH

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WOULD MEET WITHIN NEXT 60 DAYS, OR AS OTHERWISE AGREED. COMMITTEES WILL REPORT TO THEIR GOVERNMENTS AND FURTHER BILATERAL CONSULTATIONS WOULD BE HELD AT "MUTUALLY CONVENIENT TIME AND PLACE". OBJECTIVE OF ABOVE NAMED COMMITTEES, WHICH ARE TO CONSIST OF AIRLINE AND GOVERNMENT REPS, IS TO EXAMINE ADEQUACY OF CAPACITY LEVELS SOUTH OF CARACAS, BUT NOT TO INCLUDE ROUTE RIGHTS IN DISCUSSIONS.

5. UNTIL FURTHER CONSULTATIONS TAKE PLACE, "BOTH DELEGATIONS AGREED THAT THE PRESENT SCHEDULES, FILINGS AND AGREED CHANGES FOR THEIR CARRIERS WOULD BE IN EFFECT." THE "FILINGS AND AGREED CHANGES" REFER TO PROPOSED

SCHEDULES WHICH ARE TO BE IMPLEMENTED BY PAN AM IN APRIL 1976 AND BY VIASA FROM APRIL THROUGH JULY 1976. REPS OF BOTH AIRLINES MET IN WASHINGTON MARCH 29 AND DISCUSSED INTER-AIRLINE CAPACITY. PAN AM'S LEVELS ARE REFLECTED IN RECENT CHANGES FOR APRIL 1976 SUBMITTED TO EMBASSY IN SEPTEL.

6. CONCERNING OTHER ISSUES, VENDEL FOLLOWED AGENDA AS REPORTED BY EMBASSY. THEY REQUESTED ROUTE ADJUSTMENTS, INCLUDING A CARACAS-HAVANA-WASHINGTON-CANADA ROUTE. VENDEL POINTED OUT THAT VIASA IS EFFECTIVELY EXCLUDED FROM U.S.-CANADA MARKET BECAUSE U.S. AND CANADIAN AIRLINES HAVE ACCESS TO DOMESTIC AIRPORTS OF BOTH COUNTRIES, WHILE VIASA IS ONLY ABLE TO FLY BETWEEN DESIGNATED INTERNATIONAL AIRPORTS. USDEL NOTED THAT VIASA HAS RIGHTS TO SERVE CANADA FROM NEW YORK, AND DISCUSSED APPROPRIATE AIRPORT POLICIES CONCLUDING THAT NO DISCRIMINATION AGAINST VIASA IS PRACTICED BY U.S. AUTHORITIES. USDEL INDICATED U.S. READINESS TO CONSIDER WASHINGTON-CANADA ROUTE, PROVIDED ADDITIONAL INFORMATION IS SUBMITTED. SPECIFICALLY, USDEL WISHED TO KNOW WHETHER VIASA WOULD SERVE TORONTO OR MONTREAL AND WHETHER DULLES OR BALTIMORE/WASHINGTON INTERNATIONAL WOULD BE PREFERRED. VENDEL EXPRESSED THEY WERE NOT INTERESTED IN PURSUING QUESTION AT THIS TIME IN VIEW PRIORITY OF REACHING SOME AGREEMENT ON PAN AM FLIGHTS IN SOUTH AMERICA.

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7. VENDEL EXPRESSED ITS SATISFACTION WITH INTER-AIRLINE AGREEMENT, SAYING IT BENEFITS BOTH COUNTRIES. VENDEL INQUIRED WHETHER WE WOULD BE WILLING TO GIVE ASSURANCES RE CONTINUE THIS ARRANGEMENT IN FUTURE. USDEL INDICATED IT WOULD NOT GIVE SUCH ASSURANCES, AND EXPLAINED U.S. POLICY RE LONG TERM CAPACITY ARRANGEMENTS, THE MATTER WAS DROPPED WITHOUT DISCUSSION. WITH REGARD TO ISSUES OF PROTECTIONISM AND DISCRIMINATION, FUEL DISCOUNTS, AIR NAVIGATION CHARGES, AND AIR FREIGHT WERE DISPOSED AS FOLLOWS:

(A) FUEL DISCOUNTS - VENDEL ASSURED THAT THERE WOULD BE NO PRICE DISCRIMINATION IN SALE OF AVIATION FUEL TO AIRLINES OF BOTH COUNTRIES. (ACTION REQUESTED REFTL

NEVERTHELESS DESIRED, PARTICULARLY IF VIASA OBTAINING
A QUANTITY DISCOUNT WHICH WOULD THEN NULLIFY ASSURANCE.

(B) AIR FREIGHT - VENDEL ASSURED USDEL THAT AIR CARGO
TRANSPORTATION WOULD BE GOVERNED BY BILATERAL AGREEMENT,
NOT BY JOINT RESOLUTION OF APRIL 6, 1975. SOME MEMBERS
OF VENDEL EXPRESSED DOUBTS THAT RESOLUTION OF APRIL 6

APPLIES TO AIR FREIGHT AT ALL, INDICATING THAT THERE
ARE SIGNIFICANT UNRESOLVED QUESTIONS WITHIN GOV
CONCERNING INTERPRETATION OF THIS REGULATION.

(C) AIR NAVIGATION CHARGES - AS INDICATED REFTTEL, TWO
DELEGATIONS TOOK DIAMETRICALLY OPPOSED VIEWS: VENDEL
ASSERTED THEIR CHARGES ARE BELOW WORLD AVERAGE, WHILE
USDEL OFFERED COMPARISONS BETWEEN VENEZUELAN AND OTHER
COUNTRY RATES (E.G. IN VENEZUELA B-707 PAYS 25 CENTS/
STATUTE MILE VS. 17 CENTS IN U.S.) CONCLUDING THAT
VEN CHARGES ARE HIGH. VENDEL ALSO STATED THAT VIASA
HAS PAID ALL NAVIGATION CHARGES RETROACTIVELY AND

IS BEING BILLED AT SAME RATES AS OTHER AIRLINES. U.S.
INDICATED THAT MATTER WOULD BE PURSUED THROUGH DIPLOMATIC
CHANNELS. WE WILL SEND EMBASSY TEXT OF U.S. NOTE IN
NEAR FUTURE.

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(D) U.S. MAIL - VENDEL COMPLAINED THAT U.S. AUTHORITIES
DISCRIMINATE AGAINST VIASA BY DENYING IT U.S. MAIL FOR
CARRIAGE TO VENEZUELA AND THIRD COUNTRIES. VENDEL
CLAIMED THIS IS INCONSISTENT WITH BILATERAL. BOTH SIDES
AGREED THAT THE VENEZUELAN VIEWS WOULD BE TRANSMITTED
THROUGH DIPLOMATIC CHANNELS TO EMBASSY CARACAS, AND
THAT WE WOULD RESPOND IN TURN.

8. ATMOSPHERICS OF TALKS WERE HELPED BY RECEPTION HELD
AT ANNAPOLIS BY GOVERNOR MANDEL FOR DELEGATIONS.
INTENDED PURPOSE OF RECEPTION WAS TO ENTICE VIASA TO

MOVE FROM DULLES TO BALTIMORE/WASHINGTON INTERNATIONAL.
ALTHOUGH VENEZUELAN WERE OBVIOUSLY DELIGHTED WITH
MARYLAND HOSPITALITY, THEY DID NOT EXPRESS ANY INTEREST
IN PROPOSAL. IT WAS POINTED OUT TO VENEZUELAN
THAT SUCH MOVE WOULD REQUIRE APPROPRIATE ADJUSTMENTS
IN BILATERAL AND IN VIASA'S OPERATING PERMIT. KISSINGER

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